International Trade, Ecolabelling and Standards

A Case Study of the Greater Mekong Subregion

Syviengxay Oraboune

2010
Abstract

This report discusses trade- and environment-related issues, focusing on environmental labelling and standards. Environmental labelling, or ecolabelling, and standards have been considered as ‘trade-positive’ tools for the business community in order to comply with targeted consumers’ requirements and develop a good image for their products and services in order to guarantee market access. However, in developing countries, where the technology systems needed to comply with environmental requirements are costly to apply, ecolabelling often acts as a barrier to trade. This report discusses this issue as it affects the ASEAN region, with particular reference to the Greater Mekong Subregion, where less ecolabelling is applied and trade without labelling is still practised. Intraregional trade generally still needs to come to grips with environmental issues, so that a concrete policy needs to be developed and applied within the region with regard to ecolabelling and standards.
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This study is part of a larger TKN project that seeks to better environmental impacts of trade and investment policy in ASEAN, and specifically the Mekong subregion. It was made possible through the generous support of the Swedish Environment Secretariat for Asia (SENSA) which is part of the Swedish International Development Cooperation Agency (SIDA). The project outputs are available on the TKN website.

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Foreword

The neoliberal economic paradigm that dominated the last quarter century has gone through a serious crisis in the past two years. The global recession that hit in 2008 has triggered a rethinking of both our economic model and the assumptions on which it is based. The old paradigm focused on economic growth and wealth generation. Under this model, a steadily improving living standard would lead the population increasingly to demand a clean environment, greater rule of law, and a level of equity that would eliminate the most extreme poverty and exclusion. As demand for these public goods grew, economies would have generated the funding necessary to address these issues.

This paradigm ruled with near-religious fervour and this fervour discouraged attempts to test the assumptions on which it was based. Where honest criticism prevailed, a number of worrying trends were detected. Firstly, if economic growth did indeed take place, the wealth generated tended to be concentrated within the commercial and financial sectors, such that the gaps between rich and poor, both within and among countries, grew wider rather than shrinking. Secondly, much of the economic expansion led to forms of wealth generation that reduced employment prospects rather than creating jobs. And by relegating environmental concerns to a lower level of political priority, it undermined the very basis on which economic prosperity is founded.

Even economically, the gains were often built on sand, as the bursting of one speculative bubble after another has demonstrated. Wealth creation became ever more divorced from the production of goods and services as banks and investment houses built complex pyramids of derivatives with little connection to reality. Ironically, it is the countries that shunned the orthodoxy of the neoliberal paradigm that have tended to escape the worst of the economic collapse.

If there is a lesson to be drawn from the trying experience of these last years, it is that there will be no acceptable future—no acceptable model for economic organization—that does not value the creation and defence of livelihoods, the maintenance of employment and the restoration of a healthy environment as being equally important as the dry statistics of economic growth and wealth creation.

This is one in a series of papers, made possible by the generous support of the Swedish Environmental Secretariat for Asia (SENSA), that investigate the relationship between economic development and environmental sustainability. Making a new, sustainable economy a reality is a goal shared by SENSA and the Trade Knowledge Network (TKN). SENSA has long understood that without the policy, capacity and institutions to manage the environment, the rapid economic changes in Southeast Asia could devastate the foundation for prosperity and wellbeing. TKN is part of that enterprise—not only building the capacity to understand the linkages between economic development and sustainability, but ensuring that the solutions are crafted with full knowledge of local realities, local aspirations and local conditions. Nothing else will work.

Mark Halle
Executive Director, IISD Europe
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About the author

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He has contributed to various Lao PDR government research projects, including the National Export Strategy, the Silk Handicraft Strategy, the Export Quality Management Strategy, the Export Potential Assessment and others that support the socioeconomic development of the country.

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Abbreviations and acronyms

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<tr>
<td>ACCSQ</td>
<td>ASEAN Consultative Committee on Standards and Quality</td>
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<td>AEC</td>
<td>ASEAN Economic Community</td>
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<td>AEGE</td>
<td>ASEAN Expert Group on Environment</td>
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<td>ASEAN</td>
<td>Association of South East Asian Nations</td>
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<td>ASEP</td>
<td>ASEAN Subregional Environmental Program</td>
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<td>ASOEN</td>
<td>ASEAN Senior Officials on the Environment</td>
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<td>CLMV</td>
<td>Cambodia, Lao PDR, Myanmar and Vietnam</td>
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<td>EU</td>
<td>European Union</td>
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<td>GMS</td>
<td>Greater Mekong Subregion</td>
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<td>ISC</td>
<td>Institute of Standards of Cambodia</td>
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<td>ISO</td>
<td>International Standards Organization</td>
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<td>Lao PDR</td>
<td>Lao People’s Democratic Republic</td>
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<td>MRA</td>
<td>mutual recognition arrangement</td>
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<td>R&amp;D</td>
<td>research and development</td>
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<td>RHAP</td>
<td>Regional Haze Action Plan</td>
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<td>STEA</td>
<td>Science, Technology and Environmental Agency</td>
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<td>TBT</td>
<td>technical barriers to trade</td>
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<td>TEI</td>
<td>Thai Environmental Institute</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNEP</td>
<td>United Nations Environment Program</td>
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<td>U.S.</td>
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<td>USD</td>
<td>U.S. dollar</td>
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Executive summary

Environmental labelling or ecolabelling and standards have been considered as ‘trade-positive’ tools for the business community in order to comply with targeted consumers’ requirements and develop a good image for their products and services in order to guarantee market access. In the past ten years the Association of Southeast Asian Nations (ASEAN) has come to be seen as one of the most important regional trading arrangements in the world, however, due to inadequate technological systems, particularly countries in the Greater Mekong Subregion (GMS) find it difficult and costly to comply with the complexity of ecolabelling requirements, and so ecolabelling acts as a barrier to trade for these countries. Furthermore, since the main trading partners of the GMS countries remain their immediate neighbours in the subregion, little attention has been given to environmental standards and labelling. This has contributed to environmental problems affecting the subregion, and has become an issue that requires concrete policy development and implementation.

ASEAN leaders have acknowledged the importance of environmental protection as an essential part of the grouping’s long term economic and social development. The ASEAN Vision 2020 of ‘a clean and green ASEAN’, launched in 1997, was put in place to ensure the protection of the environment and the sustainable development of the region. Moreover, in recognition of the importance of environmental issues for the region, ASEAN Sub-regional Environmental Programs I, II and II were initiated following the introduction of a series of actions plans, such as the Strategic Plan of Action on the Environment 1999–2004, the Vientiane Action Program 2004–201), the Hanoi Plan of Action 1999–2004, and 12 other strategies and 55 programs.

As a result of their membership of ASEAN, as well as in line with the growing trend of environmental concerns at the global level, the member countries of the GMS have gradually improved their compliance with standards and ecolabelling requirements, but this is still at its initial stages, and often in relation to their trade partnership with major developed countries. The certificates and labelling that the Laotian AgroWood Co. Ltd, for example, receives on its products mainly come from the EU.

Thus, the application of standards and ecolabelling in the GMS region is mainly used to support countries’ export activities to developed countries. The bulk of intrasubregional trade still comprises mainly primary products, such as woods and forest products. In trade within the subregion, however, the use of environmental standards and labelling remains marginal. Trade of natural-based products among the member countries of the GMS is therefore a matter of major concern.

Overall, it has been observed throughout this study that the reasons for the minimal use of environmental standards and ecolabelling in the region are: (1) the unfamiliarity of policymakers and economic actors with environmental issues, and the preoccupation of these actors with poverty reduction and economic development; (2) the export oriented nature of standards and ecolabelling utilization, which neglects the environmental issues related to products consumed in domestic markets; (3) the complexity and high costs associated with the implementation of the system of conformity procedures for standards and ecolabelling; and (4) the slow progress of cooperation on environmental matters at both the GMS and wider ASEAN levels.

Based on these concerns, therefore, the following policy recommendations are proposed:

1. Both the GMS and the wider ASEAN need to build a culture of environmental consciousness through, among other things, the expansion of public capacity building. The utilization of the
UNEP/UN Development Program research project in the Mekong basin region on poverty and the environment, for example, can serve as a stepping stone to raise people’s awareness on the linkages between environmental issues and poverty reduction.

2. It is important to build an ecolabel culture for domestic consumers, as this would help to shift the utilization of environmental standards and ecolabelling in trade-related issues from being mandatory to being voluntary.

3. There should be systemic and institutional building up of national standards and ecolabelling through the development of national standards bodies that would eventually be upgraded to comply with international standards and ecolabelling requirements. The use of official development assistance schemes, either bilaterally or multilaterally, to develop standards and ecolabel infrastructure is an option for the GMS countries to pursue.

4. ASEAN cooperation in the area of common standards and ecolabelling should be enhanced, which can be used not only as a complementary mechanism to deepen economic integration within the region, but also to reduce the costs and build the competitiveness of ASEAN industries, as well ensuring environmental protection in Southeast Asia.

5. In line with the wider ASEAN initiatives, common environmental standards and ecolabelling should gradually be developed within the GMS.

6. The knowledge of policymakers at both the GMS and ASEAN levels about the linkages between trade and the environment should be improved so as to enable both subregional and regional architectures to undertake proactive steps to deal with trade growth, on the one hand, and proper environmental protection, on the other.
1. Introduction

Climate change and environmental protection are now two major issues that affect the socioeconomic development of the contemporary world. In order to adapt to this global trend, environmental labelling and standards have become popular requirements in the area of international trade. A similar trend has emerged within the context of the Southeast Asian region. The Association of Southeast Asian Nations (ASEAN), which is the main regional grouping in the region, for example, adopted the slogan ‘Green ASEAN’ in its Fourth ASEAN state of the environment report 2009 (ASEAN Secretariat, 2009b) as a key component of its future cooperation and development policy. As a part of the ASEAN regional architecture, the Greater Mekong Subregion (GMS) initiative, comprising five ASEAN member countries (Cambodia, the Lao People’s Democratic Republic [Lao PDR], Myanmar, Thailand and Vietnam) and two provinces of the People’s Republic of China (Yunnan Province and Guangxi Zhuang Autonomous Region), is equally encouraged to comply with the wider regional environmental standards and requirements.

To date, the Roadmap for an ASEAN Economic Community Blueprint 2009–2015 (ASEAN Secretariat, 2009a) has become the main document that specifies the way in which ASEAN intends to integrate the issues of trade, environmental labelling and standards into the region as a whole. In addition, programs, projects and other forms of regional cooperation, such as those pertaining to food quality standards, ecolabelling, forest certification and so on, have been put in place to improve the labelling and standards cultures in the ASEAN region. This is not to mention other ongoing projects that have been assisted and supported by international organizations, such as the International Institute for Sustainable Development, the International Centre for Trade and Sustainable Development, the International Institute for Trade and Development, the U.S. Agency for International Development, the Australian Government’s Overseas Aid Program and so on, to enhance the capacity of GMS countries to comply with international labelling and standards requirements. Despite this, these countries, as illustrated in their existing legal frameworks, remain non-compliant with such standards and labelling requirements. To a large extent, therefore, even formal trade still puts the subregion’s environment at risk.

This study aims to highlight the importance of environmental labelling and standards in the framework of the GMS initiative. As a subregion within ASEAN, the improvement of standards and labelling in the GMS would make a major contribution to the overall attainment of sustainable development in the ASEAN region as a whole. The study, moreover, analyzes the primary aim of ASEAN to establish a single market and production base where standards and technical barriers to trade have been identified as potential supports for the free flow of goods in the region, and the way in which the grouping could attain such an objective. Accordingly, the analysis is divided into five main sections. In the section that follows, the various terms in relation to standards and labelling that are key in the analysis are defined and elaborated on. In the third section, the report provides a general overview of trade patterns and the implementation of labelling and standards in the GMS and the wider ASEAN region. A specific case study on the GMS wood processing sector will be provided in section 4 so as to deepen our understanding of the issue within the context of the Mekong subregion. The study will be concluded with specific policy recommendations to improve the implementation of standards and labelling within the GMS.
2. Understanding labelling and standards

In general, the term label is used to describe the quality and standard of a product, and, hence, labelling is technically a part of standards. ISO 14000, which addresses various environmental management issues, addresses five main areas of environmental standards: (1) environmental management systems; (2) environmental performance evaluation; (3) environmental auditing; (4) life cycle assessment; and (5) environmental labelling (Kinsella, 1994).

Labelling is therefore a tool that provides information about a product or service, particularly in relation to its origin, composition, the production process and so on. The standard of a product, on the other hand, can generally be displayed through the imposition of labelling on a product. For example, a wine label is important for wine consumers, as it informs them about the origin of the wine. Ecolabelling has been identified by the International Standardization Organization (ISO) as:

… [a form of] communication of verifiable and accurate information, that is not misleading, on environmental aspects of products and services, to encourage the demand for and supply of those products and services that cause less stress on the environment, thereby stimulating the potential for market-driven continuous environmental improvement (ISO, n.d.).

Given growing environmental consciousness among consumers, particularly those in developed country markets, the concept of an ecolabel has therefore arisen, which informs consumers of how environmentally friendly the products they are about to purchase or consume are. More specifically, ecolabelling, generally also known as environmental labelling, is thus used to describe a product’s production process and methods. The use of ecolabelling and environmental standards is more pertinent today than ever, given the emergence of climate change and environmental protection as two of the key global concerns.

According to a Global Ecolabelling Network (GEN) information paper (GEN, 2004), many environmental performance labels and declarations are being used worldwide. For example, there are at least two main types of labelling programs related to corporate practices, which include (1) cause-related marketing (e.g., company support) and (2) the promotion of corporate environmental activities or performance. Meanwhile, environmental labelling programs related to specific products can be classified in terms of (1) first party programs and (2) third party programs. While there are two types of labels for a first party program, such as the recyclability of the product and the marketing of donations to support environmental programs, a third party program involves both mandatory and voluntary types of labelling. Mandatory labelling is generally attached to a product that is hazardous in nature. Voluntary programs, on the other hand, include three types of criteria.

Type 1 is a voluntary, multiple criteria-based, third party program that awards a licence that authorizes the use of environmental labels on products indicating the overall environmental preference of a product within a product category based on life cycle considerations. Type 2 covers environmental information self-declaration claims. Type 3 is a voluntary program that provides quantified environmental data about a product according to pre-set categories of parameters set by a qualified third party and based on life cycle assessment, and which is verified by that or another qualified third party (GEN, 2004).

The environmental protection qualities of a particular product relate to environmental issues such as its recyclability, ecofriendliness, level of energy use, and so on. These labels are of assistance to
environmentally conscious consumers, mostly in developed countries, who are seeking to reduce the adverse environmental impacts of the products they use/consume. In light of the emerging concerns about climate change and environmental protection, ecolabelling serves as an added value for products and the firms that produce them, providing guidelines for consumers when making purchasing decisions, especially those consumers who are looking for ways to reduce the adverse environmental impacts of the products they consume. A firm is thus able to build a positive image for itself in the eyes of consumers through the use of ecolabels, which have thus become an effective marketing tool for the firms using them.

Today, ecolabelling is also considered as a useful tool for governments to encourage sound environmental practices, as well as for companies in identifying and developing markets both at the domestic and international levels for their environmentally preferable products. Many public and private organizations have used ecolabelling as a ‘trade-positive’ tool, especially in relation to their export promotion activities in international markets.

Although ecolabelling is initially pursued as a voluntary initiative, lately it has also become a mandatory requirement in developed countries. Given the complexity and high cost attached to the implementation of ecolabel requirements, developing country producers often find it difficult to comply with the environmental labelling requirements imposed by developed countries. In some circumstances, labelling programs can limit the market access of a product from a developing country.

Consider the example of ISO 14000, which is an environmental standard that includes labelling. In order to comply with the requirements of this standard at the national level, the national standards body needs to develop national standards in accordance with ISO 14000 guidance, or apply ISO 14000 standards directly. The standards should be applied and integrated into the national value chain and standards system and should include testing, metrology and certification. As a rule, the national accreditation body, which has the task of certifying the compliance of the product, should be the third party established in line with the requirements of the ISO. However, due to limited capacity and their lack of the capital and technology needed to develop a national accreditation body, many developing countries still find it difficult to ensure the conformity compliance and traceability of the products they produce. There is little wonder, therefore, that many developing countries still consider standards and ecolabelling requirements imposed by developed countries as indirect barriers to trade (Podhorsky, 2010).

3. Overview of patterns of trade and the implementation of labelling and standards in ASEAN and the GMS

3.1 Trade trends in the GMS

ASEAN has in recent years been considered as one of the most important regional trading arrangements in the world (Ueki, 2008). Data from the UN Commodity Trade Statistics Database (better known as UN Comtrade), for example, shows that the volume of ASEAN’s trade has increased significantly in the last 10 years. In 2000 ASEAN accounted for about 6.69 percent of the world’s exports and 5.67 percent of its imports, while a decade earlier the grouping only contributed about 4.18 percent of the world’s exports and 4.52 of its imports (UN Comtrade, n.d.).

Within the framework of the GMS, Thailand contributes the bulk of the subregion’s trade, or about 70 percent of total GMS trade with the rest of the world. In the context of ASEAN, Thailand also
contributed about 17.08 percent and 18.85 percent of total ASEAN exports and imports in recent years, respectively. Despite their high growth rate, the recent total trade values of the four newer members of ASEAN—Cambodia, Lao PDR, Myanmar and Vietnam (also known as the CLMV countries)—only account for a mere 6.36 percent and 7.73 percent of total ASEAN exports and imports, respectively. Intrasubregional trade remains the motor of trade among the five ASEAN members that are included in the GMS initiative. As the second largest economy in Southeast Asia, Thailand is not only a major exporting country among the five ASEAN Mekong countries, but it also absorbs a significant amount of exports from the CLMV countries, particularly Lao PDR and Myanmar, where about 50 percent of their respective exports go to Thailand. Increasingly, Vietnam is also becoming another economic powerhouse in the region and has a growing strategic economic importance for its less-industrialized neighbouring countries such as Cambodia and Lao PDR.

If one were to look at export trends among the GMS countries, with the exception of Thailand and Vietnam, most items exported from Cambodia, Lao PDR and Myanmar are in the form of nature-based and labour intensive products, such as textiles, and mining and wood products. This illustrates the close linkages between the GMS countries’ exports and environmental concerns in the subregion. Since most countries in the GMS, particularly Cambodia, Lao PDR and Myanmar, do not give much attention to the standards and labelling requirements of their imports, the majority of these countries’ exports stay within the GMS.

3.2 Overview of labelling and standards issues in ASEAN

Since half a billion people in ASEAN depend on the region’s environment and natural resources, ASEAN leaders acknowledge the importance of environmental protection as an essential part of the grouping’s long term economic and social development. The ASEAN Vision 2020 of ‘a clean and green ASEAN’, which was launched in 1997, was put in place to ensure the protection of the environment and the sustainable development of the region. Moreover, in recognition of the importance of environmental issues for the region, the so-called ASEAN Subregional Environmental Programs (ASEP) I, II and II were initiated following the introduction of a series of actions plans, such as the Strategic Plan of Action on the Environment 1999–2004, the Vientiane Action Program 2004–2010, the Hanoi Plan of Action 1999–2004, and 12 other strategies and 55 programs.

In addition, a series of ASEAN Ministerial Meetings on the Environment have also taken place as a response to the emerging environmental and sustainable development issues facing the region. For example, the ASEAN ministers responsible for environmental issues agreed in November 2002 to further synergize the region’s environmental cooperation by identifying 10 priority areas based on the World Summit on Sustainable Development Plan of Implementation, which include (1) global environmental issues; (2) land and forest fire and transboundary haze pollution; (3) the coastal and marine environment; (4) sustainable forest management; (5) the sustainable management of natural parks and protected areas; (6) the sustainable management of freshwater resources; (7) public awareness and environmental education; (8) the promotion of environmentally sound technologies and cleaner production; (9) urban environmental management and governance; and (10) sustainable development, monitoring and reporting, and database harmonization.

In relation to ASEAN’s efforts to improve the region’s standards and conformity assessment procedures, the grouping also established the ASEAN Consultative Committee on Standards and Quality (ACC SQ) during the 24th ASEAN Economic Ministerial Meeting in Manila on 22–23 October 1992. The ACC SQ has the main objectives of putting in place all the measures necessary to eliminate all technical
barriers to trade and supporting the overall regional economic integration of ASEAN. Furthermore, at the 13th ASEAN Summit in Singapore in November 2007 the member countries reached a consensus to speed up the establishment of an ASEAN Community (AEC) by 2015. This is important in relation to the region’s efforts to improve its use of standards and labelling, since the development of a single ASEAN market and production base includes the initiative to address the issues of standards and technical barriers to trade (ASEAN Secretariat, 2007, sec. A1[19]).

Specific to the issues of standards and technical barriers to trade, the following regional action plan has been agreed and implemented in the region to further facilitate the AEC roadmap:

1. the harmonization of standards and technical regulations through their alignment with international practices, where applicable (ASEAN Secretariat, 2007, sec. A1[19]);

2. the development and implementation of sectoral mutual recognition arrangements (MRAs) on conformity assessment for specific sectors identified in the ASEAN Framework Agreement on Mutual Recognition Agreement;

3. the enhancement of technical infrastructure and competency in laboratory testing, calibration, certification and accreditation based on regionally or internationally accepted procedures and standards;

4. the promotion of transparency in the development and application of standards, technical regulations and conformity assessment procedures that are in line with the requirements of the World Trade Organization (WTO) Agreement on Technical Barriers to Trade and the ASEAN Policy Guideline on Standards and Conformance;

5. the strengthening of post-market surveillance systems to ensure the successful implementation of the harmonized technical regulations; and

6. the development of capacity building programs to ensure the smooth implementation of the work program.

The ACCSQ has been dealing with three interrelated but distinct process loops. The first deals with the harmonization of national standards and their implementation as voluntary reference or mandatory requirements for market transactions. The second loop deals with the establishment of MRAs on conformity assessment, which would allow member countries to accept each other’s conformity assessment processes. The third loop deals with measurement and accreditation, which help assure the competence of conformity assessment activities (Le Chau Giang, 2006), as shown in Figure 1.

A number of working groups have also been established to support the roles of the ACCSQ in ensuring standardization and conformity in the region. To date, there are 12 working groups under the ACCSQ, of which three—the Working Group on MRAs and Standards, the Working Group on Accreditation and Conformity Assessment and the Working Group on Legal Metrology—deal with horizontal issues of standards and conformity assessment. The other nine working groups deal with specific technical regulations and/or requirements for specific sectors (i.e., the Joint Sectoral Committee on Electrical and Electronic Equipment, the ASEAN Cosmetic Committee, the Pharmaceutical Product Working Group, the Traditional Medicines and Health Supplements Product Working Group, the Automotive Product Working Group, the Rubber-Based Product Working Group, the Wood-Based Product Working Group, and the Medical Devices Product Working Group). The structure of the ACCSQ is illustrated in Figure 2.
Following the implementation of the ASEPs, a number of ASEAN initiatives for cooperation on the environment were launched, including the establishment of the ASEAN Expert Group on the Environment (AEGE), which is under the purview of the ASEAN Committee of Science and Technology. Since 1989, however, the AEGE has been transformed into the organization known as ASEAN Senior Officials on the Environment (ASOEN). Under ASOEN, a number of working groups have also been established to deal with specific regional environmental concerns, and these include working groups on Seas and the Marine Environment, Environmental Economics, Nature Conservation, Environmental Management, Transboundary Pollution, and Environmental Information—Public Awareness and Education, the Haze Technical Task Force, and so on. The programs and activities of these working groups and this task force are summarized in Table 1.

Figure 1: ACCSQ activities

Figure 2: Structure of the ACCSQ

Table 1: Issues to be addressed by ASOEN working groups/task force

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<td>Haze</td>
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<td>Regional Firefighting Arrangements for Sumatra and Borneo</td>
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<td>Working group</td>
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<td>ASEAN Regional Centre for Biodiversity Conservation and regional research and development (R&amp;D) centre</td>
<td>Information exchange and technology transfer</td>
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<td>International and regional agreements</td>
<td>Exchange understanding on biosafety issues</td>
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<td>Biosafety protocol</td>
<td>Institutional strengthening and networking</td>
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<td>Conservation of ASEAN heritage parks</td>
<td>Management of transfrontier parks</td>
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<td>Capacity building and public awareness</td>
<td>Training and public education programs</td>
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<td>Working group</td>
<td>Protection of the coastal and marine environment</td>
<td>Control land and sea based pollution</td>
<td>Monitoring regime</td>
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<td>Oil spill response</td>
<td>Capacity building/R&amp;D</td>
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<td>Working group</td>
<td>International conventions</td>
<td>Basel Convention</td>
<td>Networking of agencies</td>
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<td>UN Framework Convention on Climate Change</td>
<td>Followup on regional programs, e.g., Coordinating Body on the Seas in East Asia and International Maritime Organization projects</td>
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<td>Montreal Protocol</td>
<td>Directory of agencies and institutions in monitoring and managing marine pollution</td>
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<td>Convention on Prior Informed Consent</td>
<td>Exchange views on negotiation positions</td>
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<td>Networking among focal points/agencies</td>
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<td>Regional project formulations</td>
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<td>ASEAN cooperation on the management and control of movements of hazardous wastes</td>
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Source: Sunchindah (1998)
ASOEN has also pursued various initiatives to improve the linkages among standards, labelling and trade. Its cooperation with various international donor agencies and governments, such as the Asian Development Bank, the UN Environment Program, and the Australian and the U.S. governments has also resulted in the RHAP, endorsed by ASEAN environmental ministers in December 1997, which sets out concrete initiatives to address the smoke haze problem that arises from land and forest fire. More specifically, the RHAP aims at the following: (1) the prevention of land and forest fires through better management policies and enforcement, as well as the intensification of public education programs; (2) the establishment of an operational mechanism to monitor land and forest fires; and (3) the strengthening of regional land and forest firefighting capabilities.

In early 1994 the ASEAN Harmonized Environmental Quality Standards for Ambient Air and River Water Qualities was initiated in order to further support the grouping’s efforts to closely link the environment and trade. In 1997 the Framework to Achieve Long-Term Environmental Goals for Ambient Air and River Water Quality for ASEAN Countries was adopted, which outlines ASEAN’s intention to reach the aforementioned environment standards by 2010 (this includes the identification of sources of pollution, the formulation of strategies, and the development and implementation of comprehensive programs to control air and water pollution).

Through ASEAN–Australian cooperation, a project related to ecolabels and certification in the forestry sector was carried out in 2003 and 2004. This project was important not only to further support the economic integration of the region, but it also helped ASEAN to advance its interest in the WTO and other global forums (such as the UN and its related agencies) where the terms of global forestry ecolabels and certification are increasingly being used.

Meanwhile, the fourth ASEAN state of the environment report 2009 (ASEAN Secretariat, 2009b), which was launched during the 11th ASEAN Ministerial Meeting on the Environment in Singapore in October 2009, outlines the status and trends of environmental quality in the region, the challenges faced and the measures taken to address them. The document serves as a useful reference for all parties interested in engaging with ASEAN in addressing regional and global environmental concerns. The report has also become an important reference point regarding the issues of sustainable consumption and production that will facilitate the grouping’s initiative to make ‘Green ASEAN’ a reality.

To a large extent, therefore, many initiatives on standards and ecolabelling have been officially established and agreed at the policy level. However, the degree of implementation of these initiatives differs among ASEAN member countries. In the relatively more advanced and older member countries, standards and ecolabelling are increasingly becoming key parts of their economic policies, particularly as these countries are keen to achieve the AEC by 2015, as well as to respond to global concerns on environmental protection and climate change. In the less developed ASEAN economies, particularly the CLMV countries, on the other hand, standards and ecolabelling remain new issues, with governments in these countries paying relatively little attention to their urgency.

Despite official ASEAN policy, when the application of standards and ecolabelling eventually becomes the standard practice in the region, it is likely that such initiatives will mostly be in response to the stringent environmental requirements of ASEAN’s major developed country trading partners, such as the European Union (EU), the U.S. and Japan. The majority of GMS countries also impose few or no standards and/or ecolabelling requirement on the foreign products entering their territory. The unfamiliarity of consumers in their domestic markets with the notion of standards and ecolabelling has encouraged this trend.
3.3 Environmental labelling and standards issues in the GMS countries

Because of their membership of ASEAN, as well as in line with the growing trend of environmental concerns at the global level, the GMS member countries have gradually improved their compliance with standards and ecolabelling requirements, particularly in relation to their trading partnerships with major developed countries. The GMS Environment Program, which is a joint initiative of six GMS countries, was developed and endorsed at the 2nd GMS Summit held in Kunming, China, in July 2005. This is considered as the main environmental program in the subregion and is seen as the GMS's response to the environmental challenges that have emerged in the subregion. A number of these environmental challenges have been identified:

1. the declining resource base (including an average 50 percent decrease in forest cover, the decline of freshwater catches in the fisheries sector, increasing soil degradation, and the reduction of water quality in the industrial sector and for human consumption);

2. acid rain and its potential economic impacts;

3. the lack of sufficient capacity for sustainable environmental or natural resource planning, monitoring and regulatory enforcement; and

4. the lack of capacity to manage climate change risks to livelihoods, investments, and sustainable economic and equitable development.

Since the main trading partners of the GMS countries remain their immediate neighbours in the subregion, little attention has been given to environmental standards and labelling. Although some initiatives to address environmental issues have been launched in some parts of these countries, such initiatives have resulted in minimal direct impacts on the effectiveness of addressing environmental degradation and ensuring sustainable development in the subregion.

3.3.1 Environmental standards and labelling in Thailand

Thailand is relatively better off in comparison to other countries in the GMS in terms of the country’s adherence to improve its environmental standards and labelling. The Thailand Environmental Institute (TEI), which is non-profit organization initiated by the Thai Business Council for Sustainable Development in association with the Thai Ministry of Industry, acts as an important organization to certify and award products that meet environmental standards in the country. As a member of the GEN, TEI launched the so-called ‘Green Label’ as an ecolabel for Thai products, with the overall idea of conserving resources, reducing pollution and managing waste.

More specifically, the aims of the TEI in awarding the Green Label are to: (1) provide reliable information and guide consumers in their purchasing decisions; (2) create an opportunity for consumers to make an environmentally conscious decision, thus creating market incentives for manufacturers to develop and supply more environmentally sound products; and (3) reduce negative environmental impacts that may occur during the manufacturing, utilization, consumption and disposal of a product. Having said this, the Green Label does not necessarily apply to imported products in Thailand, particularly those from the neighbouring countries.
3.3.2 Environmental standards and labelling in Cambodia

The Institute of Standards of Cambodia (ISC) is the national standards body responsible for preparing and publishing standards and guidelines for products, commodities, materials, services, practices and operations in the country. The national standardization program itself is developed through consensus among key stakeholders in the country so as to enhance its business competitiveness. The main objectives of the ISC are (1) to develop Cambodian standards that meet the needs of industries and consumers so as to promote the quality and safety of products and services; (2) to fulfill the generally recognized requirements of both producers and consumers, and to reduce the waste of resources and eliminate unnecessary steps in order to obtain economic benefits for the country; (3) to ensure the optimum quality level desired by the market; (4) to formulate standards that are aligned with international standards to the maximum extent possible, by using the principle of consensus; and (5) to conform to WTO technical barriers to trade (TBT) rules.

As far as ecolabelling is concerned, some cooperation has taken place between the country and international ecolabelling issuers, including the EU, the International Centre for Trade and Sustainable Development, and so on.

3.3.3 Environmental standards and labelling in Lao PDR

Following the proposal from the national standards body in the country, the Science, Technology and Environmental Agency (STEA), Prime Ministerial Decree No. 85/PM on Standards and Quality Management was approved on 2 November 1995 (Lao PDR, 1995). The decree is the main legal document that helps shape the structure of the standards and quality control systems in the country. There are three quality management levels in Lao PDR, i.e., the central, provincial and municipal, and sectoral levels. At the central level, the Department of Intellectual Standardization and Metrology within the STEA plays a central role in ensuring standards and quality management in the country. At the provincial and municipal level, standards and quality management fall within the purview of the Provincial Office of Standards and Quality. Finally, at the sectoral level, a standards and quality management agency or committee can be established to assist the development of standards and quality management in the sectors concerned.

Meanwhile, the National Standards and Quality Committee, comprising seven government agencies—the STEA; the Ministry of Public Health; the Ministry of Agriculture and Forestry; the Ministry of Industry and Handicrafts; the Ministry of Commerce; the Ministry of Communication, Transportation, Posts and Construction; and the Agricultural Development Enterprise—was established on 6 August 2001. The committee has been tasked with assisting the STEA on the issuance of standards and the maintenance of quality conformity, as well as coordinating with relevant enterprises and other external organizations on matters concerning standards and quality.

Unfortunately, effective standards and quality assurance have largely been absent in the country due to its weak infrastructure. Export-oriented private enterprises, for example, are still forced to deal with standards and quality assessment on their own, with minimum assistance from relevant government bodies. In terms of ecolabelling, thus far there is only one label, which is referred to as the ‘Lao Organic’ label, which is issued for the purpose of providing a definition of standards for organic products to producers, traders and consumers. This ecolabel is issued by the Ministry of Agriculture and Forestry. There are, however, no other ecolabels for other products in the country.
In terms of environmental protection, the government of Lao PDR has also established the Water Resources and Environmental Authority, which monitors environment-related matters in the country. The country’s strategy on climate change, for instance, is currently being drafted by this organization, in association with related government agencies. Once finalized, the document should supply the country with other forms of environmental standards.

3.3.4 Environmental standards and labelling in Myanmar

It is virtually impossible to obtain information about national standards systems and processes in Myanmar. However, some international standards organizations and environmental programs, such as the Global Harmonized System of Classification and Labelling of Chemicals, are working in Myanmar. Also, the National Commission for Environmental Affairs of Myanmar was established in 1990 to deal with environment-related issues in the country.

3.3.5 Environmental standards and labelling in China

China has promoted environmental standards and ecolabelling in order to promote its trade, as well as to avoid possible trade barriers that might affect the country’s exports to the international market. However, since ecolabelling is a relatively new issue in China, it has so far failed to influence much of the country’s exports and imports. However, some Chinese exports have attempted to comply with international environmental labelling, such as in the case of chlorofluorocarbons-free refrigerators, ISO 14000 requirements and other WTO TBT rules. While ecolabelling is seen in China as causing potential trade barriers that will limit its exports, it is also increasingly considered as capable of generating positive trade effects. Consequently, a number of Chinese exporters have begun to apply environmental standards and ecolabelling as tools to expand their export markets abroad. The Xiamen Silk Import and Export Corporation, for example, has exported its silk products bearing China’s environmental label to Germany, Japan, the U.S. and Italy for exhibition and sale.

3.3.6 Overall assessment of the use of environmental labelling and standards in the GMS

In most GMS member countries, environmental standards and labelling are still in the initial stages of development. The majority of voluntary applications of ecolabelling and environmental standards in the subregion, for example, are still responses to the stringent environmental regulations in developed countries. In other words, most voluntary applications of ecolabelling and environmental standards have been used as tools to enhance these countries’ exports to developed countries. For the majority of the poor in rural areas in particular, environmental considerations still rank low in comparison to other considerations, such as consumption and income. Precisely because of this, imported goods, particularly those from other GMS countries, do not necessarily conform to the requirements of environmental standards and ecolabelling.

Moreover, given the export oriented ecolabelling system in the subregion, most ecolabels are primarily related to industrial or manufactured products, with only a small handful attached to primary or natural-based products. Unfortunately, the bulk of intraregional trade among GMS countries is still based on primary products, such as timber and forestry products. This and other illegal trade that occurs across borders will remain as one of the key environmental challenges facing the subregion.
4. Case study of wood-based products trade in the GMS

As shown by numerous statistics on trade among the GMS countries, wood-based products remain the main export item for the subregion, particular for Cambodia, Lao PDR and Myanmar. In 2006 alone Cambodia’s wood-based products exports amounted to USD 72 million, or about 1.8 percent of the country’s total exports. In Myanmar, the export value of wood-based products reached about USD 714 million, or about a quarter of the country’s total exports. The wood processing sector is also among the top three exporters in Lao PDR, where in 2006 the total value of wood-based products exports reached USD 191 million, or about 18 percent of total exports. (Interestingly, however, the official Lao PDR figure for wood and wood processing exports in 2006 was only USD 100 million. Although the difference might be the result of errors in the data collected, illegal trade in wood-based products would be omitted from the official figures.)

Meanwhile, the major importers of wood-based products from these three countries are their immediate neighbouring countries in the subregion, i.e., Thailand, Vietnam and China. Recent data, for example, shows that the top five countries that imported wood and wood processed products from Lao PDR alone are Thailand (USD 28 million), Vietnam (USD 24 million), China (USD 4.3 million), Japan (USD 1.3 million) and South Korea (USD 0.3 million).

Figure 3: AgroWood’s standards and labelling conformity assessment procedures

Environmental labelling in the wood-based sectors in the GMS is mainly used to inform consumers of a product’s special features, as well as to warn of any possible harmful impacts that may result from the use of the product. Environmental labelling is, however, also being used to encourage the active participation of the manufacturing sector in environmental protection and pollution control. Unfortunately, weak regulatory control and poor infrastructure, the high costs associated with the issuance of the label, and the general unfamiliarity of players in the industry with the concept and
processes of ecolabelling have rendered the overall ecolabelling system ineffective in the GMS. The situation is further worsened by the limited environmental requirements imposed by importing countries in the subregion.

Poor infrastructure has been noted as one of the key problems in ensuring that the industry uses environmental labelling effectively. Because of this problem alone, national standards bodies are often incapable of offering effective services to exporters in need of receiving the relevant environmental certification for their products. In the case of Lao PDR, for example, previous studies have shown that, in most cases, environmental certification is done by the importing countries rather than by the relevant Laotian authorities. A Lao PDR company, AgroWood Co. Ltd, which exports its products to IKEA in the EU, is a case in point. Certification and labelling for the firm’s export products mainly come from the EU. Figure 3 illustrates the standards and labelling conformity assessment procedures of the company.

5. Conclusion and policy recommendations

Environmental protection and climate change are increasingly considered as some of the more pertinent challenges faced by the global community. It is no surprise, therefore, that the trend towards environmental standards and labelling has become equally important, providing tools to certify the environmental friendliness of products consumed worldwide. Standards and labelling are also used to ensure the traceability of products traded worldwide. Unfortunately, efforts to comply with international standards and labelling in developing countries are still confined to their response to the demands made by their more economically advanced trading partners in the developed world. This helps to explain why standards and ecolabelling in most developing countries remain export rather than domestically oriented.

Similar circumstances apply in the countries of the GMS, where the application of standards and ecolabelling is mainly used to support their export activities to developed countries. The bulk of intraregional trade still consists mainly of primary products, such as wood and forest products. In trade within the subregion, however, the use of environmental standards and labelling remains marginal and is therefore a matter of major concern.

Overall, it has been observed throughout this study that the reasons for the minimal use of environmental standards and ecolabelling in the region are: (1) the unfamiliarity of policymakers and economic actors with environmental issues, and the preoccupation of these actors with poverty reduction and economic development; (2) the export oriented nature of standards and ecolabelling utilization, which neglects the environmental issues related to products consumed in domestic markets; (3) the complexity and high costs associated with the implementation of the system of conformity procedures for standards and ecolabelling; and (4) the slow progress of cooperation on environmental matters at both the GMS and wider ASEAN levels.

Based on these concerns, therefore, the following policy recommendations are proposed:

1. Both the GMS and the wider ASEAN need to build a culture of environmental consciousness through, among other things, the expansion of public capacity building. The utilization of the UNEP/UN Development Program research project in the Mekong basin region on poverty and the environment, for example, can serve as a stepping stone to raise people’s awareness on the linkages between environmental issues and poverty reduction.
2. It is important to build an ecolabel culture for domestic consumers, as this would help to shift the utilization of environmental standards and ecolabelling in trade-related issues from being mandatory to being voluntary.

3. There should be systemic and institutional building up of national standards and ecolabelling through the development of national standards bodies that would eventually be upgraded to comply with international standards and ecolabelling requirements. The use of official development assistance schemes, either bilaterally or multilaterally, to develop standards and ecolabel infrastructure is an option for the GMS countries to pursue.

4. ASEAN cooperation in the area of common standards and ecolabelling should be enhanced, which can be used not only as a complementary mechanism to deepen economic integration within the region, but also to reduce the costs and build the competitiveness of ASEAN industries, as well ensuring environmental protection in Southeast Asia.

5. In line with the wider ASEAN initiatives, common environmental standards and ecolabelling should gradually be developed within the GMS.

6. The knowledge of policymakers at both the GMS and ASEAN levels about the linkages between trade and the environment should be improved so as to enable both subregional and regional architectures to undertake proactive steps to deal with trade growth, on the one hand, and proper environmental protection, on the other.
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